

American Telephone & Telegraph Co.

REPORT OF THE BOARD OF DIRECTORS
TO THE STOCKHOLDERS
FOR THE YEAR
1932



New York
195 BROADWAY
1933

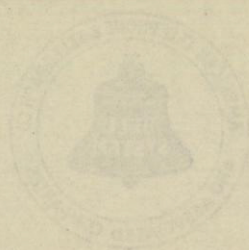
AMERICAN
Telephone & Telegraph Co.

REPORT OF THE BOARD OF DIRECTORS

TO THE STOCKHOLDERS

FOR THE YEAR

1912



NEW YORK

AT THE OFFICE OF THE COMPANY

1912

American Telephone and Telegraph Company



OFFICERS

President

WALTER S. GIFFORD

Vice Presidents

BANCROFT GHERARDI

E. S. WILSON

C. M. BRACELEN

F. B. JEWETT

C. P. COOPER

A. W. PAGE

E. F. CARTER

T. G. MILLER

ROBERT W. CURRAN

Secretary

A. A. MARSTERS

Treasurer

JAMES F. BEHAN

Comptroller

C. A. HEISS

DIRECTORS

WINTHROP W. ALDRICH

GEORGE F. BAKER

CHARLES P. COOPER

JOHN W. DAVIS

W. CAMERON FORBES

GEORGE P. GARDNER

WALTER S. GIFFORD

HALE HOLDEN

DAVID F. HOUSTON

EDWARD E. LOOMIS

ARTHUR LYMAN

ARTHUR W. PAGE

THOMAS NELSON PERKINS

PHILIP STOCKTON

MYRON C. TAYLOR

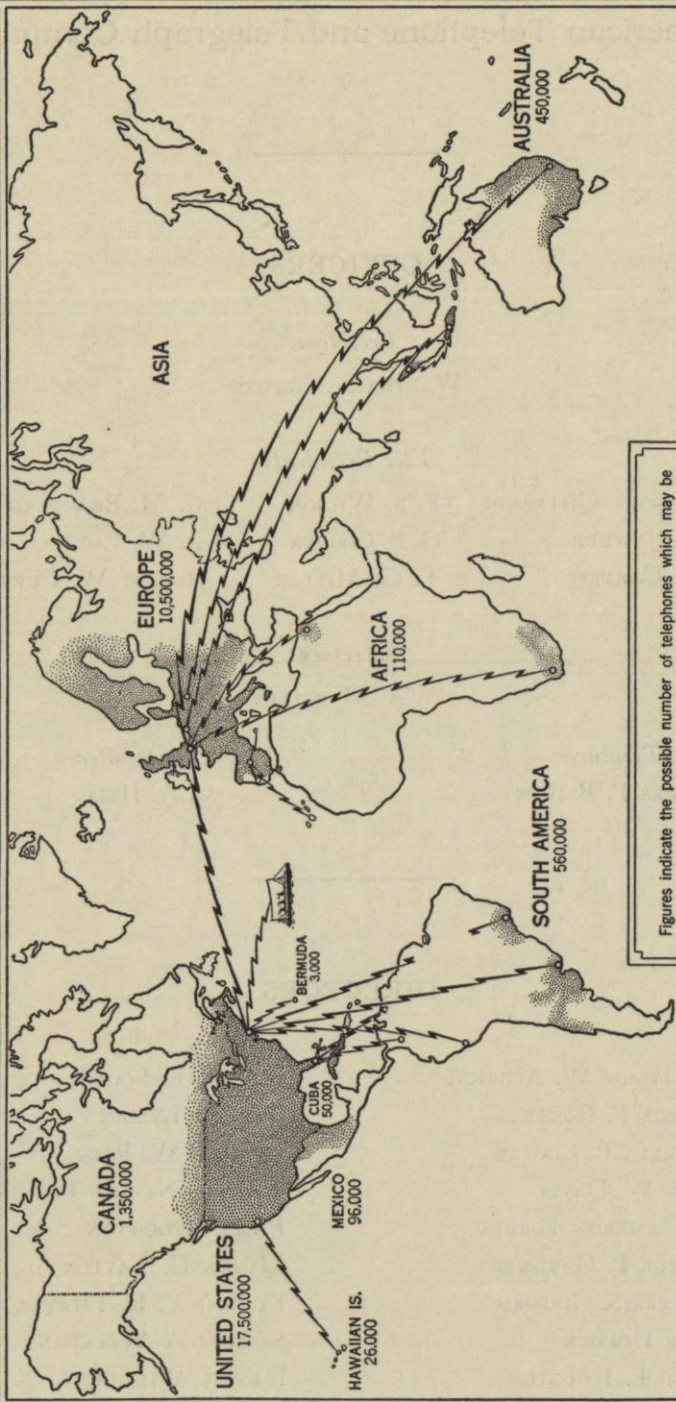
EUGENE V. R. THAYER

SAMUEL A. WELLDON

DANIEL WILLARD

OVERSEAS TELEPHONE SERVICE OF THE BELL SYSTEM

INTERCONNECTING 92% OF THE WORLD'S 33,400,000 TELEPHONES



Figures indicate the possible number of telephones which may be interconnected. During the year 1932 further progress was made in extending service to other countries and to ships at sea. (See Page 3)

Report of the Directors
of
American Telephone and Telegraph Company

New York, February 10, 1933.

TO THE STOCKHOLDERS:

During 1932 the number of Bell System telephones in service decreased 16 per cent. The 13,793,000 telephones at the end of the year were 12 per cent below the maximum development, a point reached in 1930.

Local telephone conversations were about $5\frac{1}{2}$ per cent less than in 1931. Toll and long-distance telephone conversations were 17 per cent less than in 1931 and 23 per cent less than 1930, the year of maximum toll and long-distance use.

There were no net additions to plant as a whole in 1932, the plant investment showing a decrease of \$6,300,000, as compared with an average increase for the previous five years of \$282,000,000 per year. The property has been fully maintained and full provision has been made for depreciation.

Total assets of the System amounted to \$4,901,576,000 at the end of the year. Bonds of \$23,000,000 matured during the year and were retired. Cash assets—including funds temporarily invested in Government obligations—were \$204,000,000 on December 31, 1932. The System has no bank loans outstanding and no obligations of substantial amount maturing until 1937, when approximately \$42,000,000 of bonds become due.

Total operating revenues of the System decreased \$119,400,000 or 11 per cent. Operating expenses other than depreciation decreased 11 per cent. Total expenses, including depreciation and taxes, decreased \$74,600,000 or 8.7 per cent. The net earnings were \$194,400,000, a decrease of \$63,600,000 as compared with 1931. Of this decrease the amount of \$10,325,862 was due to the fact that no dividends were received from the Western Electric Company.

The net earnings of \$194,400,000 were at the rate of 3.9 per cent on the cost of plant and other assets, but as less than one-third of the System's capital obligations are debt obligations, these earnings were three and one-half times the System's interest charges. The net income after interest charges was short of dividends paid by \$45,695,000. This amount was charged against surplus. As the Western Electric Company, which is not included in the above figures, operated at a net loss of about \$12,600,000, the net income of the System, including the Western Electric Company, was \$58,300,000 less than dividends paid.

Treating the System as a whole, including the Western Electric Company, the earnings in 1932 on American Telephone and Telegraph Company's stock were \$5.96 per share. Considering the American Telephone and Telegraph Company by itself, its earnings, which include dividends received from Associated Companies paid by them in part out of their surpluses and which do not reflect the Western Electric Company deficit, were \$7.82 per share compared with \$9.05 in 1931.

Due in large measure to the financial policy followed in the past, the Company was able to continue dividends to its 700,000 stockholders at the regular rate in 1932, although the System did not fully earn them. During the 47 years of the existence of the Company, it has never made large profits but it had by January 1, 1932, accumulated by careful management and conservative financing, a surplus amounting with its proportion of the surplus of its Associated Companies to \$29 per share of its stock outstanding. The Company has never in any year prior to 1932 paid out all its earnings in dividends, payments to stockholders being limited at all times to reasonable, regular dividends. During the boom period culminating in 1929, in spite of considerable pressure growing out of the speculative fever, the Company paid no "melons" to its stockholders, declared no extra or stock dividends, and did not split up its stock. On the contrary it made three substantial reductions in long-distance rates and at the same time greatly extended the scope, increased the speed and improved the quality of both local and long-distance service.

For the 18,662,000 shares of stock which are outstanding,

the Company has received \$2,135,000,000, or an average of \$114 per share. Thus the Company has received \$268,000,000 more than the par of \$100 per share, the opposite of "watered" stock. For many years an important consideration back of the financial policy of the Company has been the fact that regular dividends, representing, as they do, a return on actual cash invested, are vital to the day-by-day living of the vast majority of its hundreds of thousands of stockholders, more than half of whom are women. No stockholder owns as much as one per cent of the stock outstanding, the average holding per stockholder being 27 shares. The number of stockholders was 700,851 at the end of the year, a net increase of 55,948 during the year.

The past ten years have witnessed notable changes in the character and scope of Bell System telephone service. Improved methods and refinements in the art have produced greater speed, accuracy and conversational clearness on local and long-distance calls. At the same time scientific developments have steadily extended the range of the human voice over a greater area of the world's surface.

Ten years ago, on December 31, 1922, there were, including approximately 4,500,000 telephones operated by some 9,000 connecting companies or on connecting rural lines, about 14,050,000 telephones in the United States interconnected in or with the Bell System. On the same date there were 550,000 telephones in Canada accessible through toll lines. This was, except for connections with Cuba and some small border towns in Mexico, the then range of communication over a Bell System telephone.

On December 31, 1932, there were 17,500,000 telephones interconnected in the United States and, in addition, due in large part to transoceanic radio-telephony, these were connected with some 13,200,000 telephones outside the United States. About 92 per cent of the 33,400,000 telephones in the world are now interconnected and all countries with more than 100,000 telephones except New Zealand, Japan, China and Russia can be reached by telephone from any part of the United States.

During 1932 overseas telephone service was extended through existing transmitting stations to: the principal cities

of the Union of South Africa, Bangkok in the Kingdom of Siam, the Balearic Islands in the Mediterranean, the principal cities in Egypt, the Republic of Peru, and the city of Lisbon in Portugal. In addition, through new stations near Miami, Florida, radio-telephone service was extended to Colombia, Venezuela, and to Nassau in the Bahama Islands.

Ship-to-shore telephone service was extended to nine additional liners, making 15 in all at the end of the year. Each vessel, while at sea, is able to reach all Bell System telephones, as well as those connecting with the System in the United States, Canada, Mexico and Cuba.

The telephone cable between Kansas City, Missouri, and Dallas, Texas, was completed during 1932, thus connecting Dallas and other Texas points into the toll cable network which now provides a storm-proof system covering most of the eastern half of the country. Among other circuits this cable includes direct New York - Dallas circuits, 1850 miles in length, which are the longest direct all-cable telephone circuits in the world.

At the end of 1932, 110 airport ground stations in the United States had been supplied with Western Electric radio-telephone equipment. A considerable number of aircraft, formerly having only one-way equipment for receiving beacon signals and weather reports, now have been equipped with two-way radio-telephone equipment.

In spite of the necessity for most rigid economy in operation during the past three years, definite progress has been made in speed and quality of telephone service.

In 1929, 80.9 per cent of local calls were completed on the first attempt. In 1932 the percentage was 82.7. This means an improvement in the handling of four hundred million calls a year. Of the calls not completed on the first attempt, nearly all were cases in which the line was busy or in which no one answered the telephone.

On long-distance calls, the percentage completed increased from 90.5 in 1929 to 91.2 in 1932 and the average time taken to make the connection decreased from 2.8 to 1.6 minutes. As a result of these and other improvements in service criticisms by telephone users are less than half what they were in 1929.

In 1929 the practice of arranging with the customer to install his telephone on a date and at a time in accordance with his wishes was in operation on 57 per cent of the telephones installed that year. In 1932, 94 per cent of the installations were handled on that basis and the appointment made with the subscriber was met in 97 per cent of the cases.

During the three years the number of subscribers' reports of trouble with their instruments or their lines decreased 21 per cent. The percentage of these troubles cleared on the day on which they were reported increased from 87 to 94.

From the beginning of the telephone, research has been one of the important activities of the Bell System. It has been centralized at the Bell System headquarters and has been directed continuously toward fundamental improvements in transmission, switching systems, apparatus and materials as well as in operating methods, all of which are essential for effective and economical telephone service. It is only by reason of this research, always seeking for better ways and better facilities, that, broadly speaking, the present scope of service and standards of speed and quality have been made available.

While the depressed business conditions have reduced the volume of work in the Bell Telephone Laboratories, the fundamental research is being fully maintained. Research work is a long-time activity and one that requires years for full fruition. In its continuance lies the greatest assurance of further progress and economy in the telephone art.

All necessary and desirable replacements of plant were made during the year. The continuance of this work on an adequate scale, without which the speed and quality of telephone service would be endangered, would not have been possible except for the practice which the System has followed for many years of currently accruing depreciation to care for plant which is wearing out or should in due course be retired from service for other causes. During the year plant which cost \$253,400,000 was retired from service, and total plant added amounted to \$247,100,000, resulting in a net decrease in plant investment of \$6,300,000.

The expenditure for plant of \$247,100,000 was the lowest in ten years and was reflected in the volume of business of the Western Electric Company. Its sales for the year amounted to \$117,850,000 as compared with its peak of \$411,000,000 in 1929. At the end of the year, its manufacturing plants were operating at about 15 per cent of capacity. Due to general business conditions, the activities of its wholly-owned subsidiary, the Electrical Research Products Company, were likewise greatly curtailed. This company was organized in 1926 to make available for commercial use inventions and developments that have application in fields outside of communications. The most notable of these developments has been sound recording and reproducing apparatus used in the motion picture industry.

Under the Plan for Employees' Pensions, Disability Benefits and Death Benefits established in 1913, the Bell System in 1932 paid \$8,591,000 for pensions, benefit payments in cases of sickness or death, and compensation in cases of accident. Both the sickness and the accident rate per 1,000 employees were the lowest in the twenty years that the Plan has been in effect.

Under the Employees' Stock Plan the price at which stock would have been acquired in 1932 upon completion of installment payments was \$130 or \$150 per share, depending upon the date when the subscription was originally made. Since its introduction in 1921 participants under the Plan have had the option of terminating their subscriptions, in whole or in part, and withdrawing their accumulated funds at any time prior to the completion of installment payments and the acquisition of stock. Under this option employees during the year withdrew a net amount of \$58,572,000 — an average of about \$350 per employee withdrawing. A considerable portion of this amount was used by employees to purchase stock in the open market at prices lower than those under the Plan. The Plan limits subscriptions by any officer or employee to 50 shares in any one year and at the end of 1932, 77,000 employees were continuing to participate with an average subscription of 4 shares each; 60,000 employees were using the Savings Bank Plan, and 57,000 were availing themselves of the Life Insur-

ance Plan, with savings deposits and premium payments being made through payroll deductions.

The Bell System, including the Western Electric Company and the Bell Telephone Laboratories, had 291,000 employees at the end of the year. In order to keep the maximum number on the payrolls, employees were sharing work to the extent that 48,000 more people were employed than if all were working full time.

The Theodore N. Vail Memorial Fund provides annual awards in recognition of unusual acts of service by Bell System employees. This year there were twenty-six bronze medal awards, and the following two silver medal awards with \$250 cash each:

JAMES J. GEAGAN

Conduit Worker, Boston, Massachusetts

New England Telephone and Telegraph Company

For resourcefulness, persistent courage and effective action in an emergency, which resulted in the saving of human life.

RICHARD GORDON OLSON

Porter, Buffalo, New York

New York Telephone Company

For presence of mind and courageous action in preventing an attempted robbery of Company funds.

Throughout the System, the employees in all departments continued to participate in selling telephone service, and in full co-operation with the management, they have effected added economies, have maintained a high quality of service to the customers and have shared work with one another to the end that as many as possible of their number might be kept employed, thus giving continued evidence that their skill, energy and character constitute the greatest asset of the Bell System.

For the Directors,

WALTER S. GIFFORD,

President.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Balance Sheet, December 31, 1932

ASSETS

INVESTMENTS:

Stocks of Associated Companies	\$1,942,218,187.42
Investment, at cost, in stocks of associated telephone companies. Increase for the year \$2,947,766. See page 11.	
Stocks of Other Companies	169,347,438.28
Investment, at cost, in stocks of affiliated and subsidiary companies other than Associated Companies. Increase for the year \$492,050. See page 11.	
Bonds and Notes of, and Advances to, Associated Companies . .	328,655,977.50
Temporary financing of Associated Companies, including \$33,880 investment in bonds of these companies. Increase for the year \$12,078,490.	
Notes of, and Advances to, Other Companies	34,512,000.00
Loans and advances to affiliated and subsidiary companies, other than Associated Companies. Decrease for the year \$16,685,000. See page 11.	

PLANT AND EQUIPMENT:

Long Lines Plant and Equipment	453,746,050.39
Cost of long-distance plant and equipment mainly for providing interconnection between and through territories of Associated Companies. Decrease for the year \$5,886,531.	
General Equipment	1,544,784.21
Cost of office furniture and equipment other than that included in Long Lines Plant and Equipment.	

CURRENT ASSETS:

Accounts Receivable	11,904,721.57
Current receivables, including dividends, interest, tolls and other items.	
Temporary Investments	140,147,701.05
Funds temporarily invested in municipal, state and United States Government obligations and special bank deposits in anticipation of financial requirements.	
Cash	30,490,643.23
Cash and deposits in banks available for current requirements.	
Total Assets	<u><u>\$3,112,567,503.65</u></u>

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Balance Sheet, December 31, 1932, Continued

LIABILITIES

CAPITAL STOCK:

Stock Issued and Outstanding (Authorized \$2,500,000,000) . . . \$1,866,227,500.00
 Total par value of shares outstanding. Increase for the year \$391,400.

Installments 13,766,587.41
 Installments paid on stock subscribed for but not yet issued. Decrease for the year \$58,572,689.

Premiums 268,749,077.67
 Amount received in excess of par value of capital stock. Increase for the year \$180,493.

LONG-TERM DEBT:

Bonds and Debentures 447,335,400.00
 Face value of debt obligations in the form of bonds and debentures. Decrease for the year \$10,965,500.

Notes 14,436,507.96
 Notes sold to Trustee of Pension Fund.

CURRENT LIABILITIES:

Dividend Payable January 16, 1933 41,990,118.75
 Dividend declared for last quarter of 1932.

Accounts Payable 16,961,901.26
 Current accounts for supplies and services, and obligations payable on demand.

Interest and Taxes Accrued, Not Due 10,771,326.63
 Interest and taxes payable after close of year.

SURPLUS AND RESERVES:

Reserve for Depreciation 64,313,896.35
 Provision for the ultimate retirement of plant and equipment used up in furnishing telephone service. Decrease for the year \$115,300.

Reserve for Contingencies 64,664,444.18
 (No change during the year.)

Surplus 303,350,743.44
 Decrease for the year, \$22,143,183, comprising:
 Dividends charged against Surplus \$22,047,695
 Miscellaneous deductions (net) 95,488

Total Liabilities \$3,112,567,503.65

C. A. HEISS, Comptroller.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Statement of Earnings and Expenses for the Year Ending December 31, 1932

EARNINGS

Dividends	\$137,379,816.26
Dividends on stocks owned. The companies which paid these dividends did not as a whole earn them during 1932 by about \$22,-400,000.*	
Interest	24,970,011.74
Interest on notes and advances, on bonds owned, on temporary investments and bank deposits, and on other accounts.	
Telephone Operating Revenues	89,327,299.03
Revenues from operation of the long-distance lines and payments from the Associated Companies for services furnished them under the license contracts.	
Miscellaneous Revenues	809,850.34
Total	\$252,486,977.37

EXPENSES

Expenses incurred in conducting the business, including federal, state and local taxes and including depreciation at 4.3 per cent of the cost of the average depreciable plant in service.

81,492,689.64

NET EARNINGS

\$170,994,287.73

Interest Deductions

25,087,378.62

Interest on bonds, debentures and other indebtedness.

NET INCOME

\$145,906,909.11

DIVIDENDS DECLARED

\$167,954,604.00

Dividends at the rate of \$9.00 per share per annum on capital stock:
Charged against Net Income for 1932 \$145,906,909.11
Charged against Surplus 22,047,694.89

Average number of shares of capital stock outstanding during year
Net earnings per share available for dividends (after interest charges)

18,661,623

\$7.82

*No dividends were received during the year from Western Electric Company, Inc.; that company, including its subsidiaries, operated in 1932 at a net loss of about \$12,600,000.

C. A. HEISS, Comptroller.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, N.Y., February 3, 1933.

American Telephone and Telegraph Company,
195 Broadway, New York, N.Y.

We have audited the accounts of American Telephone and Telegraph Company for the year ended December 31, 1932. We have reviewed reports rendered to American Telephone and Telegraph Company by its associated companies, Western Electric Company, Incorporated, and the other companies in which it has stock ownership and find that the American Telephone and Telegraph Company's proportion of the aggregate net income of those companies (and of its indirectly controlled subsidiaries) for the year 1932 as shown by such reports was approximately \$34,900,000 less than the dividends of \$137,379,816 this company received on the stocks owned. We have not, however, audited the accounts of the directly or indirectly controlled subsidiaries of the company.

We certify that, in our opinion, the accompanying balance sheet (on pages 8 and 9) and the above statement of earnings and expenses (subject to the explanation in the preceding paragraph) set forth correctly the financial position of American Telephone and Telegraph Company as at December 31, 1932 and the results of its operations for the year 1932.

LYBRAND, ROSS BROS. & MONTGOMERY.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Stocks of Associated and Other Companies December 31, 1932

	Par Value of Holdings	Per Cent of Total Outstanding
Stocks of Associated Companies—Common:		
New England Telephone and Telegraph Company	\$ 87,094,200	65.31
Southern New England Telephone Company	13,337,400	33.34
New York Telephone Company	371,300,000	100.00
New Jersey Bell Telephone Company	120,395,200	100.00
Bell Telephone Company of Pennsylvania	110,000,000	100.00
Diamond State Telephone Company	5,000,000	100.00
Chesapeake and Potomac Telephone Company	18,000,000	100.00
Chesapeake and Potomac Telephone Co. of Balt. City	30,000,000	100.00
Chesapeake and Potomac Telephone Co. of Virginia	18,000,000	100.00
Chesapeake and Potomac Telephone Co. of West Virginia	16,200,000	100.00
Southern Bell Telephone and Telegraph Company	124,998,700	99.99
Ohio Bell Telephone Company	129,999,100	99.99
Cincinnati and Suburban Bell Telephone Company	8,169,150	29.72
Michigan Bell Telephone Company	109,988,607	99.99
Indiana Bell Telephone Company	32,999,200	99.99
Wisconsin Telephone Company	40,000,000	100.00
Illinois Bell Telephone Company	148,740,900	99.16
Northwestern Bell Telephone Company	75,000,000	100.00
Southwestern Bell Telephone Company	172,998,800	99.99
Mountain States Telephone and Telegraph Company	34,987,500	72.82
Pacific Telephone and Telegraph Company	153,886,900	85.26
Stocks of Associated Companies—Preferred:		
Pacific Telephone and Telegraph Company	64,095,700	78.17
Stocks of Other Companies—Common:		
Bell Telephone Laboratories, Inc.	50,000	(a) 50.00
Bell Telephone Securities Company	1,000,000	100.00
Bell Telephone Company of Canada	18,749,800	24.35
Cuban American Telephone and Telegraph Company	432,500	50.00
Western Electric Company, Inc. (no par value)	(b) 5,929,075	98.82
195 Broadway Corporation	5,500,000	100.00
Eastern Telephone and Telegraph Company (Canada)	75,000	100.00
Transpacific Communication Company, Ltd.	25,000	100.00
Stocks of Other Companies—Preferred:		
Cuban American Telephone and Telegraph Company	371,000	50.00
(a) Remaining 50% owned by Western Electric Company, Inc.		
(b) Number of shares.		

In addition to the above-mentioned Associated Companies there are three such companies all of whose stock is owned by The Pacific Telephone and Telegraph Company: the Bell Telephone Company of Nevada, the Home Telephone and Telegraph Company of Spokane and the Southern California Telephone Company.

Notes of, and Advances to, Other Companies December 31, 1932

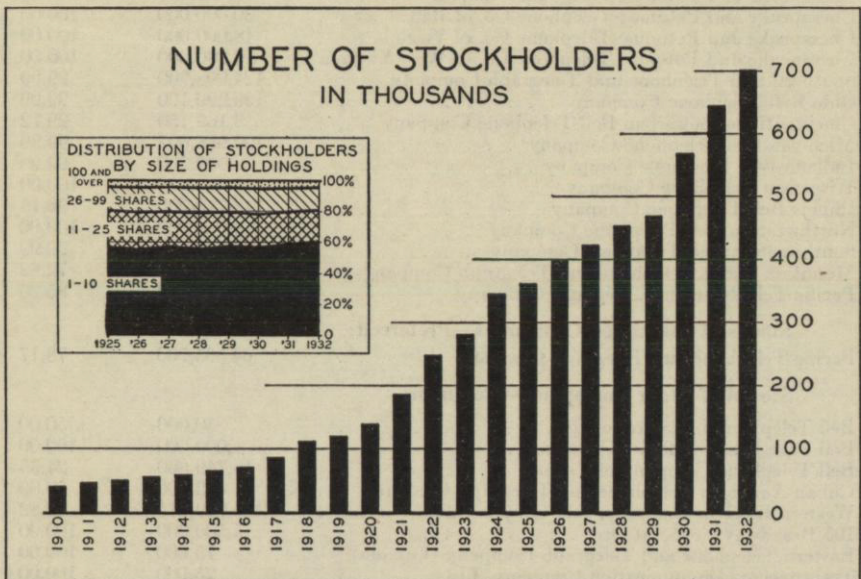
Bell Telephone Securities Company	\$ 1,000,000
195 Broadway Corporation	17,050,000
Bell Telephone Laboratories, Inc.	2,050,000
Bell Telephone Company of Canada	12,245,000
Eastern Telephone and Telegraph Company (Canada)	1,415,000
Transpacific Communication Company, Ltd.	752,000
Total	<u>\$34,512,000</u>

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Number and Distribution of Stockholders

The number of stockholders of record of the Company on December 31, 1932, was 700,851, an increase of 55,948 over the previous year. The average holding per stockholder is now 27 shares, as compared with 29 shares at the end of 1931.

About 135,000 of these stockholders are Bell System employees. The average holding per employee stockholder is 10 shares.



In addition to the holders of stock of the American Telephone and Telegraph Company, there were also at the end of the year approximately 32,400 holders of common stock and 112,900 holders of preferred stock of the Associated Companies. Making allowance for duplication in these totals there are now about 800,000 owners of stock of Bell System telephone companies.

Changes in Capital Stock and Capital Stock Installments During 1932

The Company had outstanding at the end of the year 18,662,275 shares of stock of a par value of \$1,866,227,500, an increase of \$391,400 during the year. The premiums realized by the Company since its organization from the issue and sale of its shares in excess of par value amounted at the end of the year to \$268,749,078. Capital Stock Installments, i.e., amounts paid on stock subscribed for but not yet issued, amounted at the end of the year to \$13,766,587, a decrease during the year of \$58,572,689.

BELL SYSTEM FINANCIAL STATEMENTS

The Bell System Balance Sheet and Income Statement combine and summarize the accounts of the American Telephone and Telegraph Company and its twenty-four associated operating telephone companies. Each of these companies maintains its accounts in accordance with the Uniform System of Accounts prescribed by the Interstate Commerce Commission for telephone companies. In the statements which follow inter-company duplications are excluded from the combined figures so that the statements represent the business as a whole of the Bell Telephone System. The accounts of the Western Electric Company, Inc., The Bell Telephone Company of Canada and of subsidiary and connecting companies in which either the American Telephone and Telegraph Company or its associated telephone companies have investments are not included, but the investments in these companies appear in the accompanying Balance Sheet under the item Investments, and dividends and interest received from them are included in the Income Statement under Non-Operating Revenues.

Bell System Balance Sheet, December 31, 1932

(Inter-Company Duplications Excluded)

ASSETS	
Telephone Plant	\$4,188,749,128
Plant and equipment used in furnishing telephone service; comprised of land and buildings, rights of way, poles, wire, cable, underground conduit, switchboards, telephones, etc. Decrease for the year \$6,314,461.	
General Equipment, Tools and Supplies	96,070,139
Materials and supplies, office furniture and fixtures, automobiles, tools, etc. Increase for the year \$361,480.	
Investments	303,378,025
Investments in stocks and bonds of, and advances to, subsidiary and connecting companies, and in miscellaneous property. These investments include stocks of Western Electric Company, Inc., The Bell Telephone Company of Canada, etc. Decrease for the year \$2,136,632.	
Accounts Receivable	109,128,152
Current accounts receivable from telephone subscribers, and amounts receivable from connecting companies and others.	
Temporary Investments	144,478,899
Funds temporarily invested and held available for conversion into cash as needed.	
Cash	59,771,569
Cash and deposits in banks available for current requirements.	
Total Assets	<u>\$4,901,575,912</u>

NOTE: All items of intangible assets carried in the accounts of Bell System companies are excluded from the Bell System Balance Sheet through a corresponding reduction in the Surplus.

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Balance Sheet, December 31, 1932, Continued

(Inter-Company Duplications Excluded)

LIABILITIES	
Capital Stock	\$2,097,347,543
Par value of capital stock outstanding in hands of public. Decrease for the year \$3,210,600.	
Common Stock	
American Telephone and Telegraph Co.	\$1,866,227,500
Associated Companies	133,182,443
Preferred Stock	
Associated Companies	97,937,600
Capital Stock Installments	13,766,587
Amount paid in on stock of American Telephone and Telegraph Co. subscribed for but not yet issued.	
Premiums on Capital Stock	268,333,447
Amount received in excess of par value of capital stock outstanding in hands of public.	
Long-Term Debt	1,043,907,586
Face value of funded obligations outstanding in hands of public. Decrease for the year \$10,916,943.	
Mortgage Bonds	
Associated Companies	\$472,503,079
Collateral Trust Bonds	
American Telephone and Telegraph Co.	66,690,000
Associated Companies	380,450
Debenture Bonds	
American Telephone and Telegraph Co.	367,156,400
Associated Companies	10,000,000
Convertible Bonds	
American Telephone and Telegraph Co.	12,923,000
Notes sold to Trustee of Pension Fund	
American Telephone and Telegraph Co.	14,436,508
Associated Companies	99,383,149
Notes—Miscellaneous	
Associated Companies	435,000
Bills Payable	568,873
Short-term obligations payable within one year.	
Accounts Payable	49,911,465
Current bills for supplies, services, etc.	
Accrued Liabilities Not Due	117,894,089
Dividends, interest, taxes, rents, etc., payable after close of year.	
Reserves for Depreciation of Plant and Equipment	820,194,885
Provision for the ultimate retirement of plant and equipment used up in furnishing telephone service. Increase for the year \$31,608,880.	
Reserves for Contingencies	87,912,049
Increase for the year \$2,622,097.	
Surplus	401,739,388
Total Liabilities	<u>\$4,901,575,912</u>

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Income Statement

For Year Ending December 31, 1932

(Inter-Company Duplications Excluded)

Exchange Revenues	\$670,736,747
Revenues from local exchange service.	
Toll Revenues	263,147,955
Revenues from long-distance and local toll service.	
Miscellaneous Revenues	22,469,827
Revenues derived from directory advertising and miscellaneous sources.	
Total Operating Revenues	\$956,354,529
Current Maintenance	\$160,427,812
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition, representing 3.9 per cent of the cost of the average plant in service during the year.	
Depreciation Expense	181,312,237
Provision to meet loss of investment when telephone property is retired from service, based on rates of depreciation for the different classes of property which spread this loss of investment uniformly over its service life. Depreciation expense during 1932 represented 4.5 per cent of the cost of the average depreciable plant in service.	
Traffic Expenses	166,339,677
Expenses incurred in the handling of telephone calls; principally operators' wages.	
Commercial Expenses	94,825,122
Expenses incurred in business relations with subscribers, including the rendering of bills and collection of accounts; also the cost of advertising, sales activities, directories, pay station commissions, etc.	
General and Miscellaneous Expenses	62,113,291
Expenses of the Executive, Accounting, Financial and Legal Departments, insurance premiums, sickness, accident and death benefits, pensions and other items of general expense incurred in operating the properties.	
Total Operating Expenses	\$665,018,139
Net Operating Revenues (Carried forward)	\$291,336,390

BELL SYSTEM FINANCIAL STATEMENTS

Bell System Income Statement, Continued

Net Operating Revenues (Brought forward)	\$291,336,390
Uncollectible Revenues	\$ 12,814,505
Revenues earned which, based on experience, cannot be collected.	
Taxes	86,621,779
Federal, state and local taxes applicable to the year's operations.	
Operating Income	\$191,900,106
Non-Operating Revenues—Net	17,716,986
Dividends and interest received from investments in subsidiary and connecting companies; interest on bank balances and temporary investments, minor rent revenues and other miscellaneous non-operating income.	
Total Gross Income	\$209,617,092
Rents and Miscellaneous Deductions	\$ 15,146,053
Mainly rentals paid for the use of buildings, poles, conduits and other facilities.	
Net Earnings	\$194,471,039
Interest Deductions	\$ 55,134,800
Interest charges on funded and other debt obligations, including amortization of debt discount, and interest on capital stock installments.	
Net Income	\$139,336,239
Dividends Declared	\$185,032,048
To holders of preferred stock of	
Associated Companies	\$ 6,425,880
To holders of common stock of	
Associated Companies	10,651,564
American Telephone and Telegraph Co.	167,954,604
From Net Income for 1932	139,336,239
From Surplus	45,695,809

NOTE: The Bell System's proportion of the net loss of its directly and indirectly controlled subsidiaries as a whole for the year—not reflected in the above Income Statement—was approximately \$12,470,000. This amount includes the System's proportion of the net loss from operations of the Western Electric Company, Inc., and its subsidiaries.

BELL SYSTEM STATISTICS

Security Issues Outstanding December 31, 1932

(Inter-Company Holdings Excluded)

	Par Value	Increase* During Year
Common Stock (American Telephone and Telegraph Company) (a)	\$1,866,227,500	\$ 391,400
Common Stock (Associated Companies):		
New England Telephone and Telegraph Company	\$ 46,251,600	\$ 890,500
Southern New England Telephone Company	26,662,600	.....
Cincinnati and Suburban Bell Telephone Company	19,319,250	.....
Mountain States Telephone and Telegraph Company	13,062,200	.....
Pacific Telephone and Telegraph Company	26,613,100	2,647,000
Illinois Bell Telephone Company	1,259,100	11,400
Other Associated Companies	14,593	100
Total Common Stock, Associated Companies	<u>\$133,182,443</u>	<u>\$ 3,549,000</u>
Preferred Stock (Associated Companies):		
New York Telephone Company 6½%	\$ 25,000,000	.....
Bell Telephone Company of Pennsylvania 6½%	20,000,000	.....
Diamond State Telephone Company 6½%	500,000	.....
Chesapeake and Potomac Tel. Co. of Baltimore City 7%	3,000,000	.....
Wisconsin Telephone Company 7%	4,947,000	.....
Northwestern Bell Telephone Company 6½%	4,800,800	.....
Southwestern Bell Telephone Company 7%	21,785,500	.....
Pacific Telephone and Telegraph Company 6%	17,904,300	\$ 53,000
Total Preferred Stock, Associated Companies	<u>\$ 97,937,600</u>	<u>\$ 53,000</u>
Bonds and Notes (American Telephone and Telegraph Company):	Face Value	
Collateral Trust 5s, 1932 (Western Tel. & Tel. Co.)		\$ 8,808,500
Collateral Trust 5s, 1946	\$ 66,690,000	453,000
Debenture 5s, 1960	119,160,700	1,146,000
Debenture 5s, 1965	149,959,000	.....
Debenture 5½s, 1943	95,447,700	603,500
Convertible 4s, 1936 (c)	2,589,000	.....
Convertible 4½s, 1939	12,923,000	.....
Notes (sold to Trustee of Pension Fund)	14,436,508	1,313,893
Total Bonds and Notes, American Tel. and Tel. Co.	<u>\$461,205,908</u>	<u>\$ 9,697,107</u>
Bonds and Notes (Associated Companies) (b):		
New England Telephone and Telegraph Company:		
Debenture 5s, 1932		\$ 9,747,000
First Mortgage Series A 5s, 1952	\$ 35,000,000	.....
First Mortgage Series B 4½s, 1961	40,000,000	.....
Southern New England Telephone Company:		
Debenture 5s, 1970	10,000,000	.....
New York Telephone Company:		
First and General Mortgage 4½s, 1939	60,848,010	11,940
Bell Telephone Company of Pennsylvania:		
First Mtge. 5s, 1943 (Central District Telephone Co.)	8,641,500	220,000
First and Refunding Mortgage 5s, 1948	35,000,000	.....
First and Refunding Mortgage 5s, 1960	50,000,000	.....
Chesapeake and Potomac Telephone Company of Virginia:		
First Mortgage 5s, 1943	4,132,900	55,500
Southern Bell Telephone and Telegraph Company:		
First & Gen. Mtge. 5s, 1937 (Cumberland Tel. & Tel. Co.)	14,969,000	.....
First Mortgage 5s, 1941	47,070,500	466,000
Ohio Bell Telephone Company:		
Consolidated 5s, 1944 (Ohio State Telephone Co.)	4,870,000	10,000
Illinois Bell Telephone Company:		
First and Refunding Mortgage 5s, 1956	48,726,200	94,000
Southwestern Bell Telephone Company:		
First and Refunding Mortgage 5s, 1954	48,845,600	196,000
Pacific Telephone and Telegraph Company:		
First Mortgage and Collateral Trust 5s, 1937	26,831,000	593,000
First & Ref. Mtg. 5s, 1947 (Southern California Tel. Co.)	6,287,000	447,000
Refunding Mortgage 5s, 1952	23,890,000	31,000
First Mtg. 5s, 1936 (Home Tel. & Tel. Co. of Spokane)	2,999,900	9,000
Minor Bond Issues (17 in number)	11,227,750	3,579,800
Notes (principally notes sold to Trustee of Pension Funds)	99,818,149	13,465,080
Real Estate Mortgages	3,544,169	291,556
Total Bonds and Notes, Associated Companies	<u>\$582,701,678</u>	<u>\$ 1,219,836</u>

(a) Does not include capital stock installments of \$13,766,587.

(b) Includes issues assumed or guaranteed.

(c) Conversion privilege expired.

* Decreases in italics.

BELL SYSTEM STATISTICS

Employees' Benefit Plan

The Plan for Employees' Pensions, Disability Benefits and Death Benefits has been maintained by all Bell System companies since 1912. Payments thereunder during 1932 for Bell System telephone companies were as follows:

Pensions	\$2,571,938
Sickness disability benefits	4,292,935
Accident disability benefits	581,298
Death benefits	1,145,783
Total Payments under Plan	\$8,591,954

On December 31, 1932, there were 3,420 retired employees on the pension rolls, receiving service or disability pensions under the Plan. The average pension paid was \$64 per month.

Thrift Plans Available to Bell System Employees

Employees' Stock Plan

Employees who have been in service for six months may purchase stock of the American Telephone and Telegraph Company and pay therefor by monthly deductions from salary, the number of shares being determined by the employee's annual rate of pay. Dividends received from shares acquired under stock purchase plans may also be applied to the purchase of shares. The maximum subscription for any employee is 50 shares per year. The minimum period within which an employee may complete his payments and acquire stock is 35 months. This privilege is in effect in all Bell System companies and their subsidiaries, including the Western Electric Company, Inc., and the Bell Telephone Laboratories, Inc. Participation in the Plan at the end of 1932 was as follows:

Number of employees purchasing stock	77,749
Number of shares on which payments are being made	326,296
Per cent of purchasers to total number eligible	26
Price per share since August 31, 1929	\$150

Employees' Savings Plans

Employees may arrange for regular deductions from salary in specified amounts, which are deposited for them in savings banks in personal accounts subject to their control. Fourteen companies, including the Western Electric Company, Inc., and the Bell Telephone Laboratories, Inc., are providing such facilities for their employees. Participation in these Plans at the end of 1932 was as follows:

Number of employees for whom deposits were being made	60,592
Amount of monthly deposits	\$1,015,732

Payroll Deduction Plans for Life Insurance

Employees may obtain from certain life insurance companies standard forms of life insurance policies and make monthly premium payments through deductions from salary which are forwarded to the insurance company. All Bell System companies, including the Western Electric Company, Inc., and the Bell Telephone Laboratories, Inc., provide such a Plan for their employees. Participation in the Plans at the end of 1932 was as follows:

Number of employees purchasing insurance	56,961
Amount of monthly premium deductions	\$354,608
Amount of insurance in effect	\$139,000,000

In addition eighteen Bell System telephone companies make monthly deductions from payroll aggregating \$15,658 for 1,781 employees, veterans of the World War, who are paying for approximately \$7,500,000 of United States Government insurance.

BELL SYSTEM STATISTICS

	Dec. 31, 1915	Dec. 31, 1920	Dec. 31, 1925	Dec. 31, 1930	Dec. 31, 1932	Increase* During 1932
Number of Telephones:						
Manual Service.....	5,968,110	8,176,884	10,538,935	10,705,118	7,936,991	1,722,358
Dial Service.....	0	157,095	1,496,289	4,976,941	5,856,238	125,593
Total.....	5,968,110	8,333,979	12,035,224	15,682,059	13,793,229†	1,596,765
Per Cent Dial Service to Total Telephones	..	1.9	12.4	31.7	42.5	..
Number of Central Offices.....	5,300	5,702	6,017	6,585	6,778	133
Miles of Pole Lines.....	330,602	358,091	386,064	422,489	402,518	19,189
Miles of Wire:						
In Underground Cable.....	10,573,000	15,748,000	30,483,000	50,225,000	52,883,000	669,000
In Aerial Cable.....	4,602,000	5,885,000	10,672,000	20,785,000	22,742,000	791,000
Open Wire.....	3,331,000	3,744,000	4,319,000	5,238,000	4,866,000	208,000
Total.....	18,506,000	25,377,000	45,474,000	76,248,000	80,491,000	1,252,000
Per Cent Total Wire Mileage in Cable....	82.0	85.2	90.5	93.1	94.0	..
Average Daily Telephone Conversations:†						
Exchange.....	25,184,000	31,836,000	46,702,000	62,365,000	58,813,000	3,392,000
Toll.....	819,000	1,327,000	2,098,000	2,933,000	2,251,000	449,000
Total.....	26,003,000	33,163,000	48,800,000	65,298,000	61,064,000	3,841,000
Total Plant.....	\$880,069,000	\$1,363,826,000	\$2,524,906,000	\$4,043,422,000	\$4,188,749,000	\$6,314,000
Number of Employees§.....	156,294	231,316	293,095	324,343	266,357	28,409
Number of A. T. and T. Co. Stockholders...	65,512	139,448	362,179	567,694	700,851	55,948

* Decreases shown in italics.

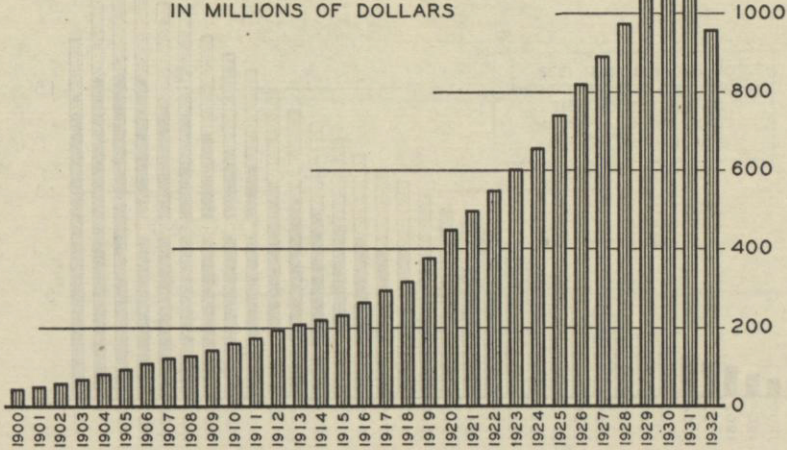
† Including telephones of 6,800 connecting companies and 26,200 connecting rural lines, the total number of telephones in the United States which may be interconnected is approximately 17,500,000.

‡ For year ending December 31.

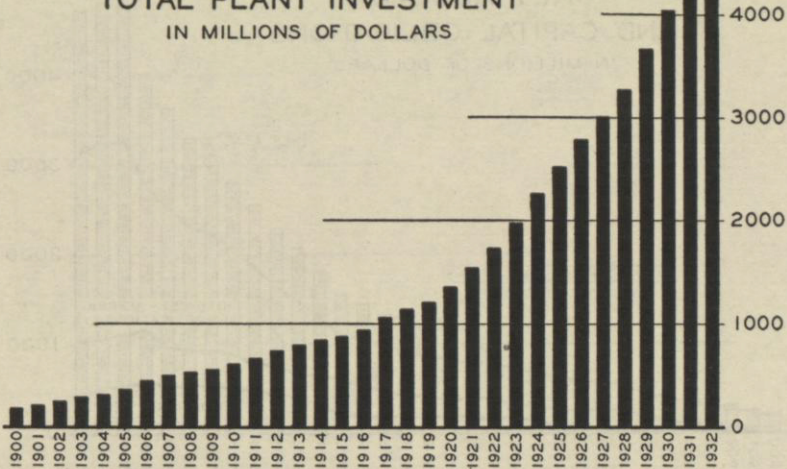
§ The employees of the Western Electric Company, Inc., and the Bell Telephone Laboratories, Inc., numbering 25,114 on December 31, 1932, are not included.

BELL SYSTEM

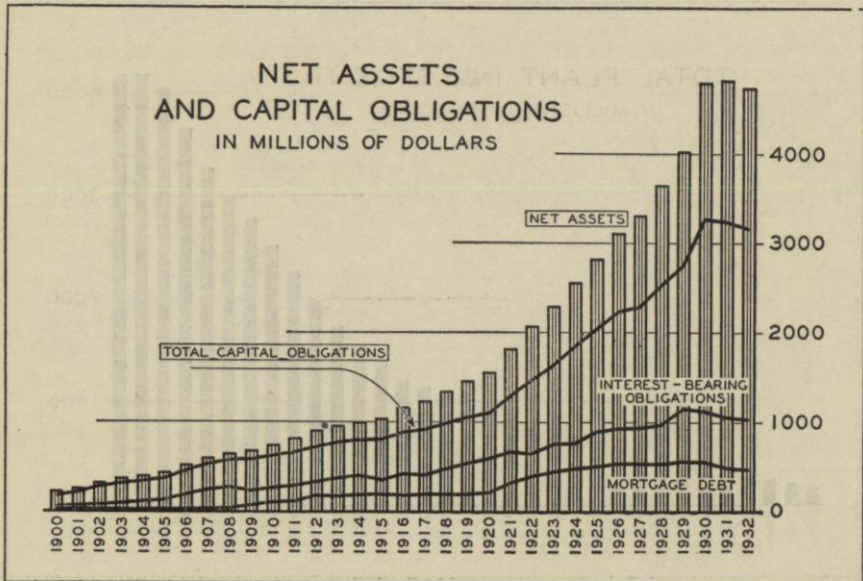
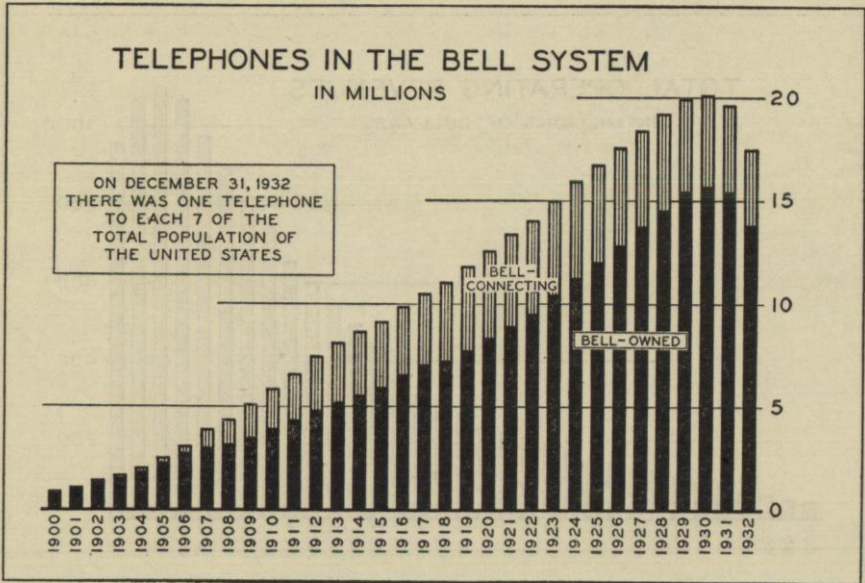
TOTAL OPERATING REVENUES
IN MILLIONS OF DOLLARS



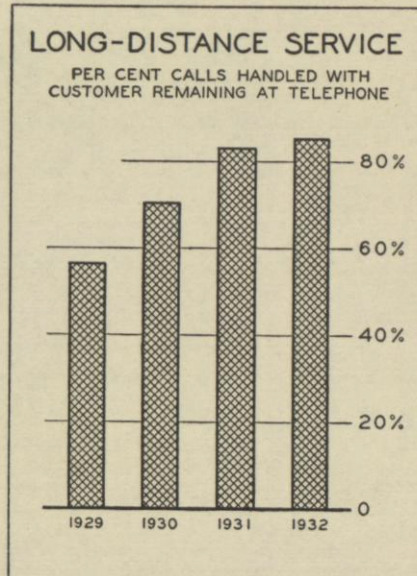
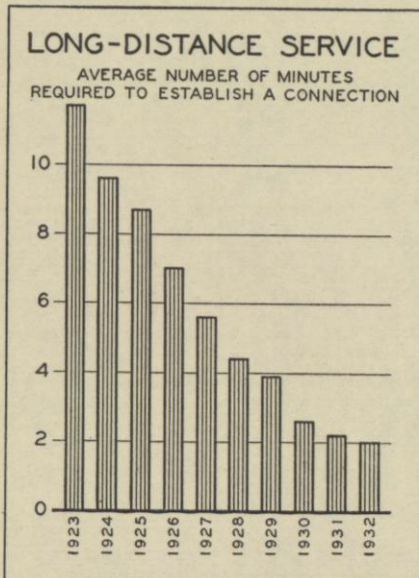
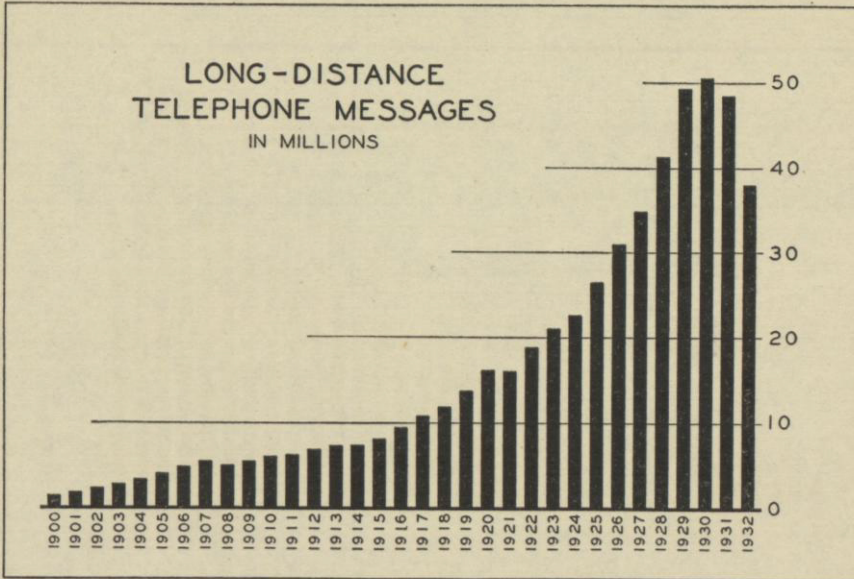
TOTAL PLANT INVESTMENT
IN MILLIONS OF DOLLARS



BELL SYSTEM



AMERICAN TELEPHONE AND TELEGRAPH COMPANY



COLUMBIAN TELEPHONE AND TELEGRAPH COMPANY

